

“Stop Kicking the Can Down the Road”

FISCAL STATE OF THE COUNTY III: THE
2025 INITIATIVE Q & A

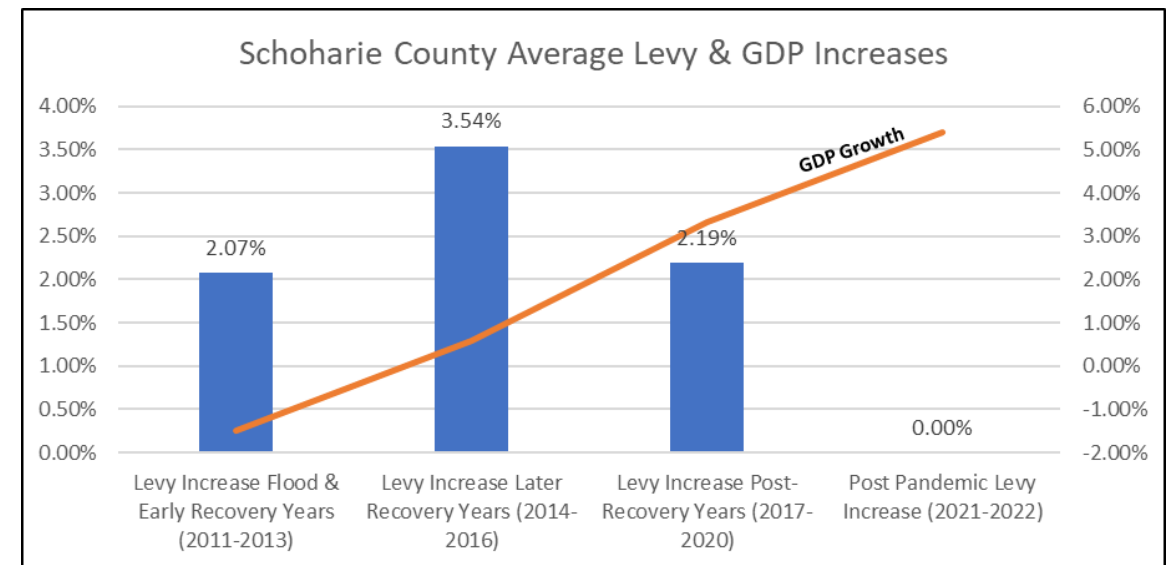
Time Line

- ▶ CORC Established by Board of Supervisors – March 2021
- ▶ Three County Streamlining Proposals – March 2021
 - ▶ Consolidate Human Services
 - ▶ Simplify & Enhance Tax Administration
 - ▶ Centralize Finance
- ▶ Conversations With Department Heads – March thru May 2021
- ▶ CORC Review – March thru July 2021
- ▶ Growing Awareness of Inaccurate Budget estimating – March thru Present
- ▶ Board Directs County Administrator to Update Centralize Finance Proposal to account for ineffective budget process – October 2021
- ▶ “Stop Kicking the Can Down the Road” Proposal – November 2021
- ▶ CORC Review – November 2021
- ▶ Conversations With Department Heads – November 2021 thru January 2022

The Board has Kept the Growth of Property Taxes Low in Recent Years

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- ▶ **2011-2013**: Average Levy Increased 2.07% while Average GDP Grew 0.58%.
- ▶ **2014-2021**: Average Levy Increased 3.54% while GDP Grew 1.08%.
- ▶ **2017-2020**: Average Levy Increased 2.19% while Real GDP for 2018-2019 grew by 5.3%.
- ▶ **2021-2022**: Finance Committee Budget continues 2nd year of no changes to 2020 Property Tax Levy.

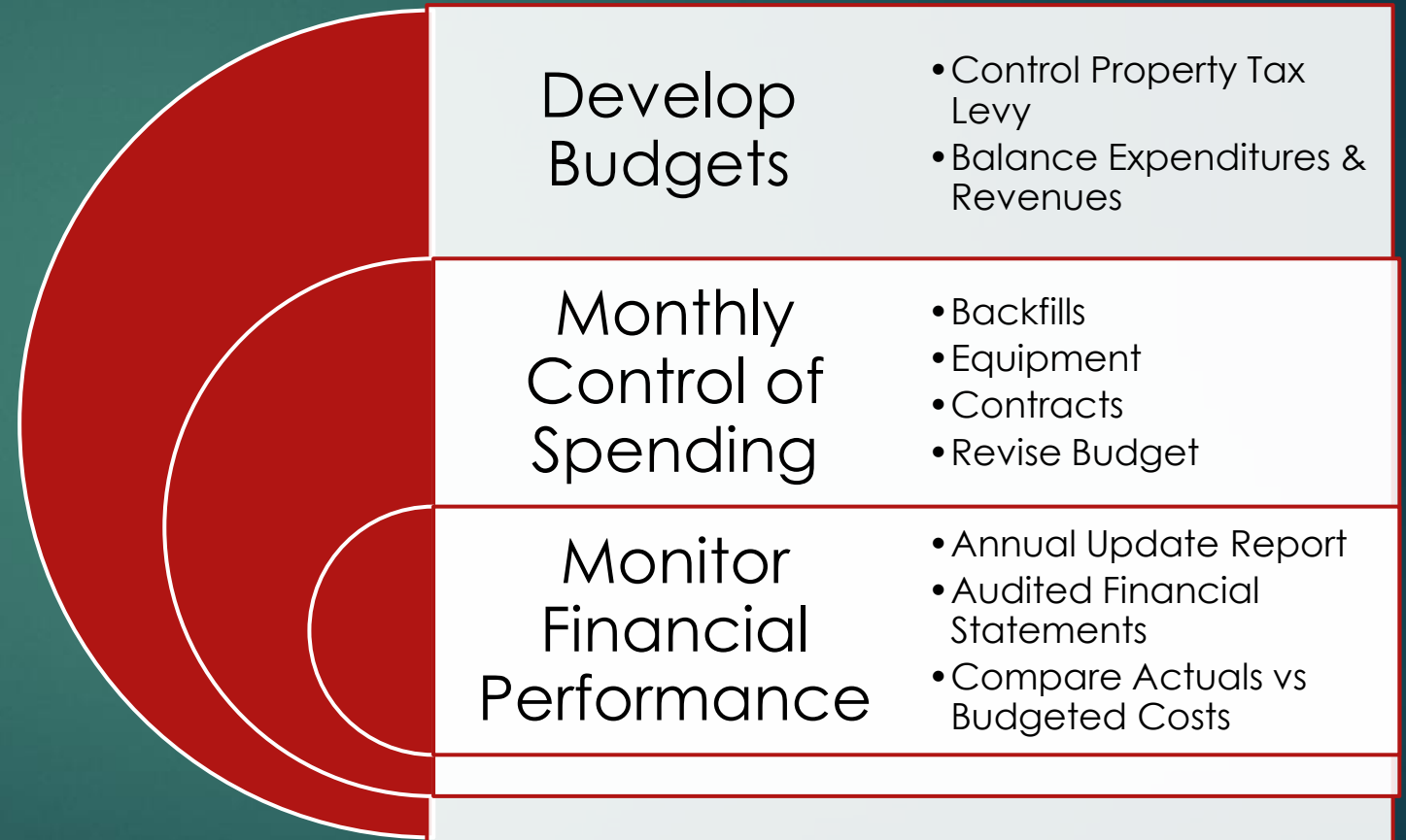


Even Though the Board has Limited the Growth of Property Taxes, the Budget Process has Not Effectively Addressed Rising Costs

- ▶ Since at least 2013, actual spending has undershot budgeted spending by substantial amounts. In some cases, this was expected, but in others it was due to inaccurate budget estimating.
- ▶ The 2021 Department Head Budget requested a total of \$98.2 million in spending. Although the Board reduced that request to \$80.9 million, the Board has increased spending to \$94.6 million.
- ▶ By setting spending targets for 2022, the Budget Officer has reduced the Department Head spending requests by \$10.5 million for a total of \$84.1 million

In millions	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revised Budget	\$88.80	\$101.50	\$93.80	\$91.20	\$96.40	\$96.40	\$95.90	\$94.60	\$84.98
Actual	\$80.30	\$90.20	\$73.30	\$76.30	\$79.40	\$83.90	\$80.90	?	?
Difference	\$8.50	\$11.30	\$20.50	\$14.90	\$17.00	\$12.50	\$15.00		

The Current Approach to Financial Management



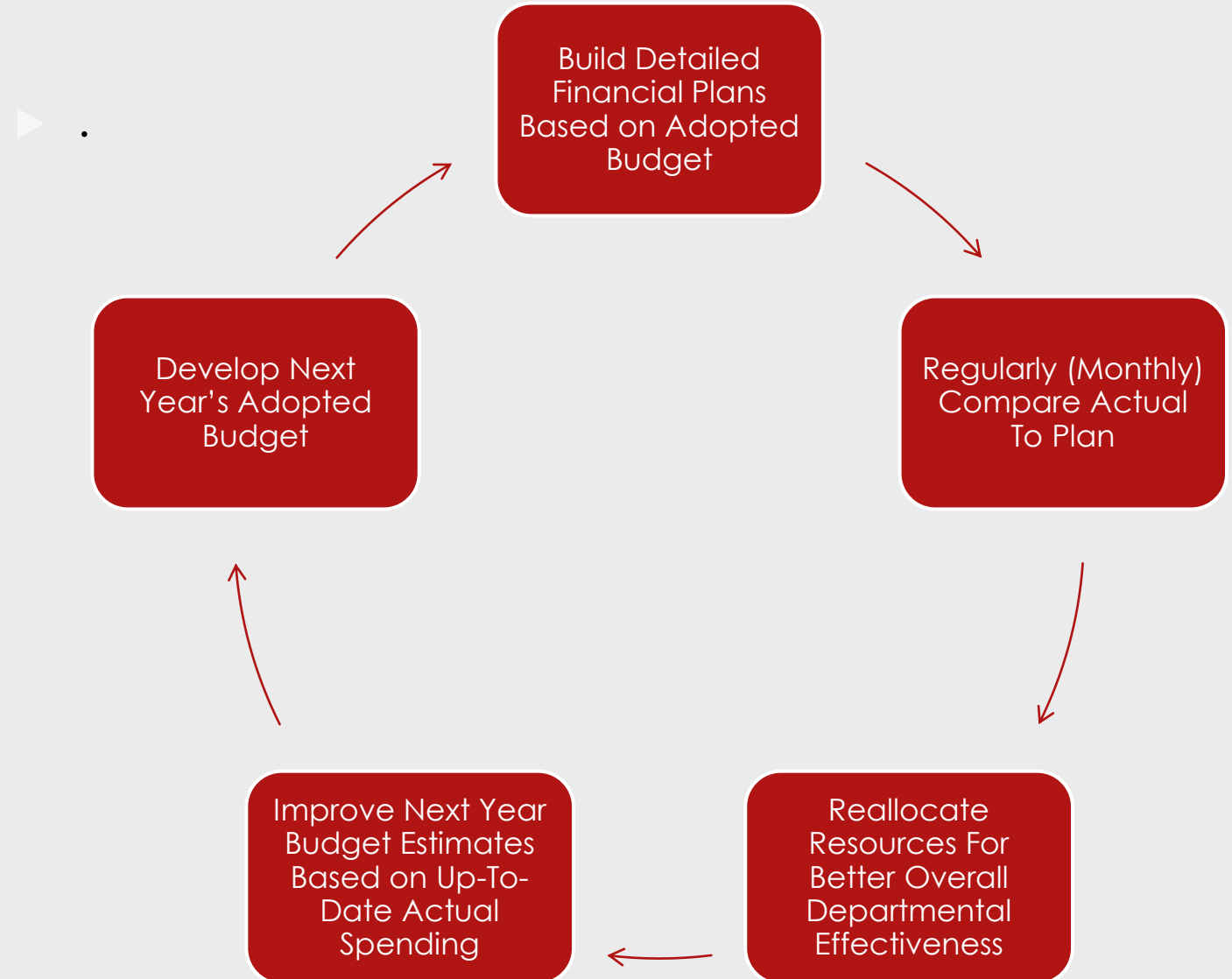
The Current Financial Management Approach, including Budgeting, does not Effectively Control Costs

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- Instead of comparing one year's budget to the prior year, compare actual spending to the prior year's actual spending.
- Factor in inflation using daily inflation rates from the St. Louis Federal Reserve Bank.
- From 2017 thru 2019, spending due to inflation rose \$4.5 M while other increases amounted to \$8.24 M
- In the chart to the right, we compare the 2021 Revised Budget to prior year actuals.
- 2020 actuals were 3% less than 2019 actual spending.

	Increase	% Increase	Inflation Increase	Operations Increase
2017	\$3.87 M	5%	\$1.43	\$2.43 M
2018	\$3.56 M	4%	\$1.49	\$2.06 M
2019	\$5.34	6%	\$1.59	\$3.74 M
2020	(\$2.61 M)	-3%	\$1.56	(\$4.16 M)
2021	\$7.54 M	9%	\$1.68	\$5.85 M

Schoharie County Needs to Strengthen Budget Monitoring to Control Costs



Specific Solution: Technology & Technical Workforce for Financial Management

- Pull **existing** Human Resource and Financial Management staff together under one office led by a technically proficient leader
- **Train essential staff** for maximum productive use of modern, state-of-the-art enterprise resource management system
- **Ensure this workforce supports** all existing roles including Department Heads, Chief Fiscal Officer, Budget Officer, Personnel Officer and the Board of Supervisors and its Committees
- **Separate financial audit function from new department & create Audit Committee of the Board of Supervisors**



Three Options

1. **Enterprise Resource Program with no increase in staff.** *I rejected this approach because there is no existing ERP software that can provide the analysis needed for Improved Budget Monitoring.*
2. **Enterprise Resource Program + Centralized Budget Monitoring and Formulation Staff.** *I rejected this approach because it would likely require additional staff in the departments and the staff of the centralized budget office would be 6.5 new FTE.*
3. **Enterprise Resource Program + Office of Human Resource and Financial Management.** *I proposed this because it is the least costly, most effective of the other options.*

Evaluating The Three Options

- Option I will not generate any savings from costs over inflation, so it will cost the county \$300,000 annually or \$1.2 million over four years.
- Option II will generate \$870,000 in net annual savings over four years.
- Option III will generate \$1.8 million in net savings over four years.
- Prior to the pandemic, the actual cost of county government increased approximately \$1.5 million annual in excess of inflation.
- Improved budget monitoring should be able to eliminate those annual costs in about four years.

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	Year 1	Year 2	Year 3	Year 4
Annual Excess Over Inflation Average	\$1.5	\$1.5	\$1.5	\$1.5
Savings From Improved Monitoring (II, III)	\$375,000	\$750,000	\$1.125 M	\$1.5 M
Net Savings Option I	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)
Net Savings Option II	(\$365,522)	\$9,478	\$384,478	\$759,478
Net Savings Option III	\$105,273	\$269,727	\$644,277	\$1,828, 908

Steps to Reorganize Consistent with Civil Service & Union Rules

- ▶ Working with Department Heads and Personnel Office, Identify Specific Positions Involved
- ▶ Evaluate Existing Positions and Classify New Positions ensuring as few as possible will lose their jobs or their current salary.
- ▶ Offer jobs to existing Employees in the new Department
- ▶ If an employee declines to join the new Department, they will lose their existing, but reorganized, position.
- ▶ Some Employees with “bumping and retreat rights” will be able to decline going to the new Department and take another, lower graded, lesser paid position.
- ▶ This entire process will take about 6 months and will be overseen by Schoharie County Personnel Office and NY State Civil Service.
- ▶ County Administrator will regularly brief employees involved.

1. The Schoharie County Board of Supervisors hereby establishes the Office of Human Resource and Financial Management
2. The Schoharie County Board of Supervisors hereby directs the County Administrator to Establish the position of Deputy County Administrator reporting to directly to the County Administrator
3. The Schoharie County Board of Supervisors hereby directs the County Administrator, working with the Personnel Officer, to develop an implementation plan for the staffing of the Office of Human Resources and Financial Management, with the goal of utilizing existing employees, to the maximum extent possible